



Greater Taung
Local Municipality

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2016/17 BUDGET DOCUMENT



“A Municipality in Pursuit of Excellence”

ANNUAL BUDGET OF

GREATER TAUNG LOCAL

MUNICIPALITY

2015/16 TO 2017/18

MEDIUM TERM REVENUE AND

EXPENDITURE FORECASTS

Table of contents

PART 1 – Annual Budget

- 1.1 MAYOR'S REPORT
- 1.2 COUNCIL RESOLUTIONS
- 1.3 EXECUTIVE SUMMARY
- 1.4 OPERATION REVENUE FRAMEWORK
- 1.5 OPERATION EXPENDITURE
- 1.6 CAPITAL EXPENDITURE
- 1.7 ANNUAL BUDGET TABLE (A1 SCHEDULE)

PART 2 – SUPPORTING DOCUMENTATION

- 2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS
- 2.2 OVERVIEW ON FUNDING THE BUDGET
- 2.3 DISCLOSURE OF SALARIES; ALLOWANCES AND OTHER BENEFITS
- 2.4 MONTHLY CASH FLOW BY SOURCE
- 2.5 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS
- 2.6 DISCLOSURE ON IMPLEMENTATION OF MFMA AND OTHER LEGISLATION
- 2.7 RATES AND TAXES
- 2.8 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH **IDP**
- 2.9 LEGISLATION COMPLIANCE STATUS
- 2.5 MUNICIPAL MANAGER'S QUALITY CERTIFICATE

PART 1 ANNUAL BUDGET

1.1 MAYOR'S REPORT

MINUTES OF SPECIAL COUNCIL MEETING HELD ON 31 MAY 2016 AT 12H00, IN TAUNG HOTEL SCHOOL

8.2 Tabling and Approval of the Annual Budget for the Financial Year 2016/2017

The purpose of the report is to submit the budget for 2016/2017 to Council in line with the provisions of the Municipal Finance Management Act section 24(1) that stipulate that the municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.

Background

That Council takes note that section 16 of the MFMA requires that the council of a municipality must for each financial year approve an annual budget for the municipality before the start of the financial year.

Resolution 44/2016

- (a) That Council takes note of the contents of the Budget of Greater Taung Local Municipality for the financial year 2016/2017 and indicative of the two projected outer years 2018 and 2019.
- (b) That Council approves the Budget for the 2016/17 financial year as follows:
 - 1.1 Operating revenue by source at an amount of R193 727 766
 - 1.2 Operating expenditure by vote at an amount of R188 142 278
 - 1.3 Capital Revenue by vote at an amount of 63 279 200
 - 1.4 Capital expenditure by vote at an amount of R63 279 200
- (c) That transfers within a vote be approved at the level of the Municipal Manager in order to reduce bottle-necks and ensure smooth operation of the municipality; and report be submitted to Council on quarterly basis of any transfers made during the financial year.
- (d) Transfer of funds from capital budget should be approved by the municipal manager through consultation with the mayor.
- (e) That Council approves tariff increases as follows with affect from 01 July 2016:

Property rates	0%
Government Rates	154%
Water	6%
Electricity	8%

Refuse	6%
Sanitation	6%
Other services	as and when a need arise

The following departments to investigate the following Tariffs:

House Rent – Land Use

Sport Stadium Hire in case of festivals – Social Services

- (f) That Council takes note and approves NERSA recommended an increase of 8% for 2016/2017.
- (g) That approves of the current indigent households for 2015/2016 on the register and for 2016/2017. The office of Chief Financial Officer perform verifications to all current indigent households to confirm their status in order to reduce time delay caused in applying verifying, processing and approval. New applications and those whom have not been approved can make new applications.
- (h) That the threshold for indigent customers be increased to amount as per National Budget Speech which is R3040.
- (i) That allowances for ward committee members be R1 000 per month on the condition of at least one sitting per month
- (j) That Council approves of the Salary Budget which is at a ratio of 53% towards the operational budget.
- (k) That the reviewed budget related policies approved in 2012/13 still are applicable and all changes effected in these policies are reflected in the 2016/17 Tariff schedule.

1.2 COUNCIL RESOLUTIONS

Vision

A prosperous community that is socially, culturally and economically sustainable.

Morafe o o atlegileng o o botsalano o o ipelang ka setso le moruo o o tsepameng.

'n Welvaarende gemeenskap wat sosiaal, kultureel en ekonomies volhoubaar is.

Mission

Initiating and promoting sustainable socio-economic growth, that is accessible to development through agriculture, heritage and mining.

Value Statement

- Batho
- Constitution
- Transparency
- Integrity
- Professionalism

Introduction

Madam Speaker, Cllr Deliwe Sethi, Executive Mayor, Speakers, Chief Whips and Member of the Mayoral Committees of various Municipalities, Honourable Councillors, Municipal Manager of Greater Taung Local Municipality, Mr. Katlego Gabanagosi and your Management Team,

Municipal Managers of our sister municipalities and Senior Managers of Government Departments here present, Religious Leaders and Business Leaders, Members of the Media and of the Public

True Happiness is in the Journey, not Destination

Madam Speaker happiness has remained an elusive phenomenon over many centuries. In the words of Hussein Qadri, "Philosophers, religious experts, sociologists and academics have tried to define happiness with some regarding it as a result of achieving material possessions, while some say it has nothing to do with that, but it is a moral or spiritual phenomenon which one can acquire by doing the right things".

It is my considered view that this leadership collective has tried to do the right things in order to move our community forward.

Due to upcoming Local Government Elections to be held on 3rd August, we are very close to passing the baton over to the next collective. I therefore think this is an opportune time for all of us to express our heartfelt thanks and appreciation to those who started the journey with us and have moved on to serve in different capacities (Cllr Kgakgamatso Nkewu and Cllr Bridget Mogakwe) or have been called to higher service (Councillors Lepodisi Tong and John Moncho) – may the souls of the departed rest in peace. I also wish to register my appreciation for the selfless contribution of those who had to leave for other different reasons.

Not all of us are going to be available to serve in the council from August 2016. To those of us who might have chosen to go and take it easy, I wish you well, and wish to borrow the words of the former President of the Republic of South Africa, the late Nelson Mandela when he says, "When a man has done what he considers to be his duty to his people and his country, he can rest in peace". But if you are going to rest but not in peace, it means that you have not done your duty to your people and country.

Madam Speaker it is common knowledge that Greater Taung is one of the most challenging Municipal areas to lead and manage. This is one of the most rural, one of the vastest and one of the most underdeveloped areas with a huge backlog in the provisioning of roads, water and other amenities. But having said that, we have appreciated the opportunity the people of Greater Taung and our various organisations have afforded us to serve.

Going back to the journey I referred to earlier on, I wish to state that we may not have acquired material possessions as individuals, but we have been happy just to be of service to people of Greater Taung.

Over the last five years (2011 – 2016) we, as Political Leadership of Greater Taung Local Municipality have travelled and enjoyed this journey which we embarked on in an endeavour to improve the lives of citizens of Greater Taung. This journey has not been without challenges, however we are delighted to report that we have achieved most of the objectives we had set for ourselves – constraints (financial and otherwise) notwithstanding. We may not have been able to achieve everything we set out to achieve, but please believe me when I say this has been one thoroughly enjoyable journey.

In reflecting on the importance of dedicating ourselves and devoting our lives to serving others, one of the world's greatest teachers, Dr Albert Einstein says, "Only life lived for others is worth living". I believe that I articulate the views of all honourable members of this council when I say our lives have been worth living.

Madam Speaker and citizens of Greater Taung let me place on record my singular honour, privilege and pleasure at delivering the 2016/17 budget speech to your good selves today. This budget speech is presented just a few days after holding a successful Conference on Greater Taung Local Competitiveness, which we believe is going to unite people of Greater Taung behind the yet-to-be-developed vision for Greater Taung.

Improvement of Our Administrative Capacity

One of the first challenges we have had to deal with was to build a united front in order to ensure cohesion that is needed for any organ of the state to deliver services to the citizens. As a result of this, we have had to institute a number of disciplinary cases, most of which have been attended. That has led to relative stability within our municipality.

Roads and Stormwater

The municipality comprises 26 wards with about 106 villages and 3 townships. The streets within these villages and townships are eroded / damaged due to floods and need to be re-gravelled / patched. Instead of utilizing the allocated budget for hiring of equipment to render this service, several equipment and plant to assist with this process were bought.

Over the last five years we have spent no less than R10m to buy the following plant:

- 1 Low-bed,
- 2 Graders,
- 1 Roller,

- 1 Excavator,
- 4 Tipper Trucks, and
- 2 Water Carts.

R4.2m was allocated for the 2016/17 financial year for paving of roads in Boipelo and Reivilo. The traffic circle on the N18 will also be attended to during the coming financial year.

R78.1m was spent on new road infrastructure within the Municipality between 2011 and 2016. Over eighteen kilometres of paved roads were constructed in seven villages.

R21m is budgeted for 2016/17 financial year to achieve five kilometres of paved road in Matlhako II and Moretele. A total of R99m has therefore been earmarked for improvement of roads.

Under Stormwater Drainage Control three projects to the value of R37.8m were completed to benefit five villages. The total achievement is 7.5km of channels constructed and a bridge.

Community Services

Madam Speaker, four of the six libraries situated in the Greater Taung Local Municipality were supplied with electronic book detector system and are all operating on Slims/Brocade. Mzansi Libraries On-line project was launched in Reivilo and will be extended to Taung and Pudimoe during the 2016/17 financial year. Libraries were increased during the last five years from three to six. The mobile library covers thirteen villages. All six libraries do have access to Public Internet (PIA). R1.2 m budget was allocated for the 2016/17 financial year.

Madam Speaker, during the previous five years several renovations and upgrades took place on sport stadiums, cemeteries and other social service facilities. Five Thusong Centres have been constructed and are fully operational. R2m was allocated for the 2016/17 financial year to continue with upgrades and renovations as needed. In the last five years we managed to build seven halls to the value of R64m. Plans are afoot to start building three other halls to the value of R15m.

To ensure effective refuse removal, three compactor trucks have been bought to the value of R3.7m in the past five years.

Water and Sanitation

Madam Speaker, currently the water and sanitation units are focusing more on operations and maintenance. As Revenue Enhancement Strategy, council approved that pre-paid water meters be phased in by replacing old meters.

R2.3 m is allocated for 2016/17 financial year to upgrade infrastructure.

We appointed a service provider to conduct a Section 76 of the Municipal Systems Act to compile an assessment report which resulted in a new SLA with the District Municipality. Greater Taung Local Municipality will benefit financially for service provision on behalf of the district, as they are the service authority.

Human Settlement

There shall be Houses, Security and Comfort

Madam Speaker, from March 2011 to April 2016 a total of 3 875 housing units have been built which is inclusive of the 2 090 units that are been constructed during 2015/16. An extra 1 785 had been planned for 2016/17, throughout Greater Taung Local Municipality. This includes houses planned for Reivilo/Boipelo Township of 200 units and seventy five Lykso units which the community have been patiently waiting for, and couldn't be provided due to planning processes, such as township establishment by the relevant department.

Madam Speaker, however productive this might sound, the Municipality is facing an acute land shortage for further development and to address the ever growing need for housing. To compound this problem the Municipality is currently experiencing illegal occupations of land that is registered under the Municipality. This practice is mainly common around Taung Ext. 6, the Taung CBD area and Pudimoe Township.

The following projects were completed during 2015/16:

- Land Audit (Taung CBD, Pudimoe Township and Reivilo / Boipelo Township)
- Review of the Environmental Management Framework, the Spatial Development Framework and the Land Use Management Scheme
- Development of Taung Central Precinct

The establishment of Municipal Planning Tribunals to decide on Land Development Applications (Act 16 of 2013) still needs to be implemented.

There is a challenge of implementing the Spatial Planning and Landuse Management Act (SPLUMA). We will continue to engage with Traditional Authorities with regards to the implementation of the Spatial Plans (SDF, EMF, LUMS and the Precinct Plan.

Electricity Provision

Prior to 2011 a total of 24 high mast lights existed in GTLM. During the past five years GTLM constructed 100 high mast lights to the amount of R16m in six villages as part of the area lighting programme and to address safety at “Hot Spot” areas as identified by the SAPS. For 2016/17 financial year an additional twenty three high mast lights will be constructed in eight villages at a cost of R6.9m.

Households with access to electricity have over the last five years increased by 2383 new connections and 2178 in-fills.

Expanded Public Works Programme Works (EPWP)

The EPWP aims to provide poverty and income relief through temporary work contracts. During the past three years the municipality has performed very well in terms of planning, organizing, controlling and implementation of its projects. Seven small bridges were constructed over the last three years through EPWP and two streets were upgraded. Eight Vegetation Control Projects were done.

The grant of R1.3m for the 2016/17 financial year will ensure that we create 105 Full Time Equivalents (FTE's) which equates to 105 people employed for twelve months at R2000.00 per month.

The Municipality will strive to utilise 30% of its MIG allocation of R43m towards local labour. This will yield another 550 Full Time Equivalents in terms of EPWP. This translates to a total estimate of 655 full time job opportunities for 2016/17 financial year.

Local Economic Development

Through the Corporate Social Investment facilitation by LED in partnership with other key stakeholders, the following activity were undertaken

- With the assistance of Impala Platinum Mine and Anglo Gold Ashanti we have awarded thirteen bursaries and given twenty five unemployed youth learnership opportunities,
- The Municipality has hosted a successful Sanitary Charity Fundraising Event for the needy learners at the deep rural schools in its area of jurisdiction. We are targeting the last week of June 2016 for distribution – in the far remote areas of Greater Taung,
- Hosted the Enterprise Development Conference in collaboration with SEDA and FEED to empower the Greater Taung small business and entrepreneurs through knowledge, information and continuous learning as key elements in strengthening small business growth and sustainability,

- Launched of the Flea Market in partnership with FEED in order to empower SMME's/Cooperatives to gain access to the market and ensure sustainability and growth in their business. To help create and maintain the jobs in the Cooperative and SMME's sector and develop the economy of the province for business to be marketable and competitive, and
- An official opening of the Enterprise Development Centre in partnership with the North West Development Cooperation aimed at bringing services such as business support and economic to the citizens of Greater Taung.

Back to Basics

Madam Speaker, the Back to Basics approach was designed to ensure that all municipalities perform their basic responsibilities and functions without compromise. The programme is built on five pillars:

- Putting people and their concerns first;
- Demonstrating good governance and administration;
- Delivering municipal services;
- Sound financial management and accounting; and
- Sound institutional and administrative capabilities.

The Back to Basics approach will institutionalise a performance management system that will recognise and reward good performance, and ensure sufficient consequences and appropriate support for under-performance.

Corporate and Educational Support

Madam Speaker, in order to invest in the future of this town, we have ensured that the youth have access to tertiary education through assistance in payment of registration fees. Since the beginning of our Bursary Assistance Programme, we have assisted more than 314 learners and spent R3.2 million worth of bursaries. Forty students were able to complete their studies successfully. For the current academic year, we have spent R1m worth of bursaries. R800 000 has been allocated to new learners for the 2016/17 financial year to assist students to register with Higher Education Institutions.

At the heart of our core business is our employees who are our assets in the realisation of our vision.

We are currently training officials to ensure Minimum Competency Level through the North West University and Wits University. The municipality has also appointed two service providers to provide environmental practice and road construction training. This will ensure that employees are well

equipped to deliver services as required. Forty two Councilors have been capacitated in the last financial year. The municipality plans to capacitate more than twenty councilors during the next financial year.

This number of training programmes aims at having a competent and well managed workforce committed to delivering high quality services to the people of Greater Taung. We also acknowledge and accept the audit opinion of the AG regarding implementation of performance management system. To this end we have reviewed our organisational structure and filled strategic positions to align our systems, procedures and strategies so that our efforts are realised. They include Performance Management Systems Manager, Agriculturist, and Skills Development Officer. Through the appointment of the PMS Manager we hope to see PMS being cascaded to Middle Management as well.

Through Work Integrated Initiative and Learnerships, fifty students have completed their learnerships and eight are still busy with Electrical apprenticeship at the municipality. The municipality also hosted a successful career exhibition in May 2016 in which more than 1100 learners attended. The appointment of Health & Safety Officer and Skills Development Facilitator positions will ensure that employment equity, skills development and employee assistance are addressed. The current 61% male and 39% female will be addressed as part of the employment equity plan.

Integrated Development Plan (IDP)

Madam Speaker, this year was the fifth IDP review of the third generation of Local Government.

GTLM managed to review and approve the IDP for all the relevant review cycles and strong emphasis was on the Community Based Planning Methodology to ensure that communities own the developmental priorities in their respective constituencies, and all ward councillors were requested to consult their wards. The appointment of the IDP Co-ordinator ensured that the facilitation process was strengthened.

Wards must be commended for their patience to keep their priorities mostly unchanged to ensure contingency of previous and current planning and align the allocation of very scarce financial resources on The Medium Term Expenditure Framework, to allow us to move at a pace that is determined by our own budget revenue, Equitable Share and MIG (Municipal Infrastructure Grant) allocated.

The current year's IDP was reviewed with the intention to accommodate amendments that were submitted through the participation processes and also to address the concerns of the Auditor

General to align the Strategic Objectives in the IDP with the Service Delivery and Budget Implementation Plan.

Performance Management

Madam Speaker, notice must be taken that compliance to Performance Management Regulations has become gradually more important, year on year, as part of the Auditor General's audit scope. A unit was established in 2015 where PMS and Risk Management staff were appointed. All findings of the AG in terms of Audit of predetermined objectives are addressed, that risks are identified and planned for and that PMS is cascaded to middle-management.

Finance

Madam Speaker, 72% of the operating budget was spent by March 2016. This amounts to R133 134 965 of the budgeted R182 898 722. We would like to encourage our residents to continue to pay for services so that the municipality can in turn render quality services to all.

A total of 8 063 households have benefitted so far from free basic services during 2014/15 at a value of R2 074 361.

Our collection rate is 57% as at April 2016. The municipality's Debt Collection Policy is being applied strictly to increase our collection rate. We will apply credit control measures to recover outstanding debt and will also intensify our litigation with defaulters during the 2016/17 financial year.

All the reports as prescribed by the Municipal Finance Management Act are submitted to the relevant provincial and national authorities on time. GRAP compliant Annual Financial Statements will be presented to the Auditor General on 31 August 2016.

A major challenge for the municipality is the launch of the SCOA (Standard Chart of Accounts) project. This is to ensure compliance with Treasury Regulations by 1 July 2017. A budget was provided for this matter, we are awaiting the outcome of the transversal tender from National Treasury before implementation.

The major benefits of this project is better control by the fiscus over all major spending and improving the oversight role of Council on spending per ward.

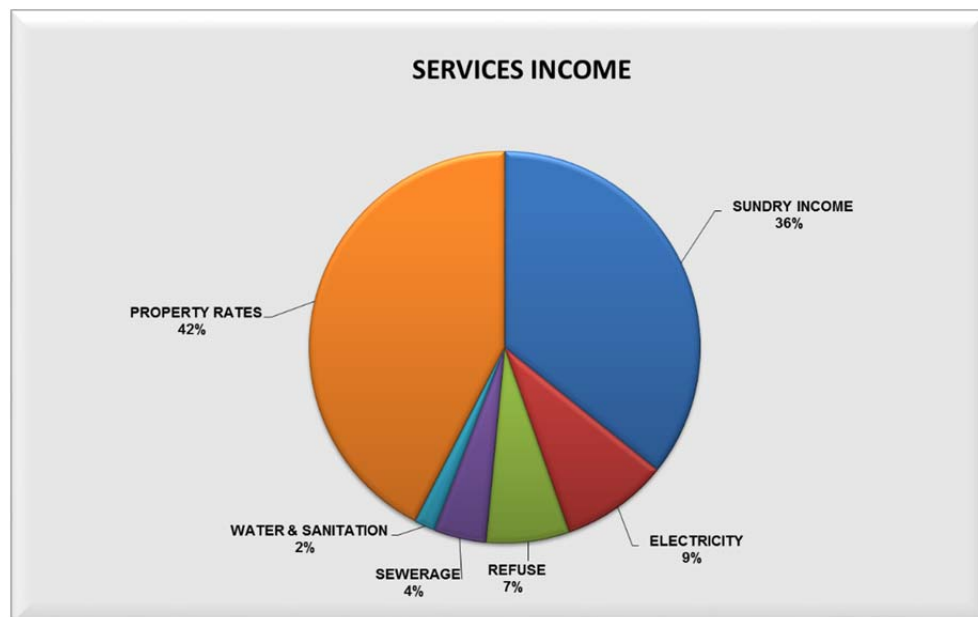
Madam Speaker, the municipality achieved a qualified audit opinion in the 2014/15 financial year en-route to an unqualified opinion.

- 2016/17 Revenue Budget to the total of R257 006 966

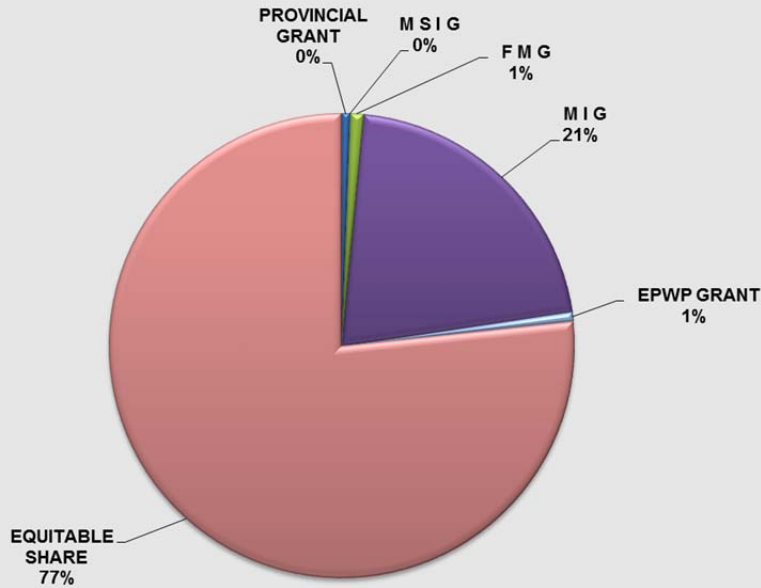
- 2016/17 Expenditure Budget to the total of R251 421 478
- 2016/17 Provision for Surplus to the total of R 5 585 488

Budget Summary

REVENUE BUDGET	2016/2017
SUNDRY INCOME	15,173,566
ELECTRICITY	3,769,700
REFUSE	2,923,700
SEWERAGE	1,818,000
WATER & SANITATION	750,000
PROPERTY RATES	18,000,000
TOTAL SERVICES INCOME	42,434,966
PROVINCIAL GRANT	1,220,000
M S I G	-
F M G	2,010,000
M I G	45,436,000
ELECTRIFICATION PROGRAM	-
NDP GRANT	-
EPWP GRANT	1,352,000
EQUITABLE SHARE	164,554,000
TOTAL INCOME FROM GRANTS	214,572,000
TOTAL INCOME	257,006,966

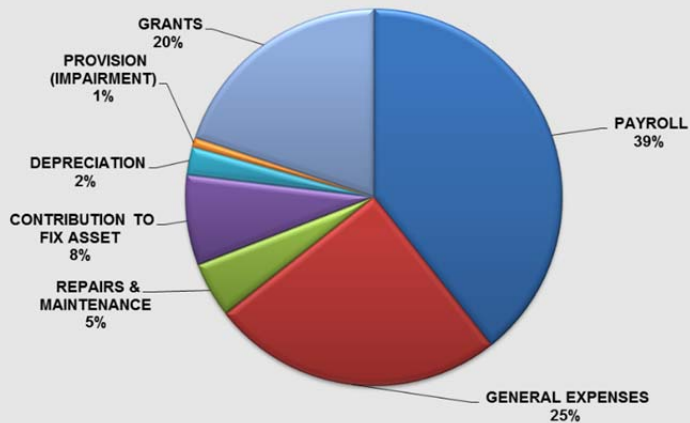


INCOME FROM GRANTS



EXPENDITURE BUDGET	2016/2017
PAYROLL	98,797,236
GENERAL EXPENSES	63,085,063
REPAIRS & MAINTENANCE	11,917,574
CONTRIBUTION TO FIX ASSET	19,515,000
DEPRECIATION	6,088,605
PROVISION (IMPAIRMENT)	2,000,000
GRANTS	50,018,000
OPERATIONAL BUDGET	201,403,478
TOTAL BUDGET	251,421,478

EXPENDITURE BUDGET



Conclusion

Madam Speaker, it is my view that the proposed budget of Greater Taung Local Municipality is responsive to economic growth strategic objectives and the socio-economic needs of our residents. Inspired by the African Proverb, "If you want to go fast go alone, if you want to go far go together", we need to emphasise that we can only achieve our set objectives in collaboration and cooperation with all stakeholders. That is the only way we will achieve, "Excellence Through Cooperation". It is not our wish to go fast but to go in responding to the needs of the citizens of Greater Taung.

Finally I wish to place on record my appreciation to the Municipal Manager and his management team who assisted in facilitating and compiling this budget.

Madam Speaker, with these remarks, I hereby present the Tabled 2016/17 Budget with its recommendations to Council for consideration and approval.

Thank you – Ke a Leboga – Baie Dankie.

1.2 Executive Summary

Greater Taung Local Municipality (GTLM) is situated within Dr Ruth S Mompoti District Municipality in the North West Province. Being the largest local municipality in the district with a total population of 177 633 of the entire district of 500 365 (STATSSA Community Survey 2011), challenges of unemployment rate at 23% impact on service delivery as more than 90% constitute rural area with high indigent rate. The municipality is graded at 3 in terms of determination of upper limits for councillor's allowances and salaries.

Financial Assumptions

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The municipality's service delivery priorities have been reviewed through the adjustment budget, as part of this year's planning and budget preparation process. The results of this review were incorporated into the municipality's adjustment budget.

The municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore the municipality has undertaken steps to ensure that council adopts cost containment measures as per the NT circulars.

Cash flow projections were based on the actual collection rate as at 30 January 2016, Employee related costs were increased by 8%, the municipality's payroll is sitting at 53% of the total operating budget.

The overall tariff rate of property rates did not increase except for government properties that were increased due to the agreement between the municipality and public works

Income from sale of electricity was based on the actual usage of consumers and NERSA prescribed 8% increment on bulk purchases of electricity. The remaining service charges income (Water; Sanitation and Refuse collection) were all increased by 6%. The subsidy for electricity payable to Eskom is projected to be R 3 006 700, this assumption is based on the current year's actual expenditure

The Land Use Development Department is yet to identify all properties of GTLM rented out to consumers and draft contracts thereto, only then can the municipality recognize income from rental of houses. This is per the Auditor General's recommendations.

Income from rental of facilities (Halls, Stadiums and other facilities) is entailed in the draft 2016/17 Tariff Schedule. National Treasury's MFMA Circular No. 51 and 54 were used to guide the compilation of the 2016/17 MTREF.

The main challenges experienced during the compilation of the 2011/12 MTREF can be summarised as follows:

- GTLM has a challenge of implementing capital year plans, currently the municipality is sitting at 28% expenditure on capital assets and projects this does not include MIG projects
- Procurement plans from departments are not aligned with the approved budget
- The municipality is experiencing delays with procurement due to the Supply Chain Management procurement processes
- Failure to collect money due to the municipality

- Non- reconciliation of reports between the finance department and PMU
- Retention register not journalized into the financial system
- Roll-over not applied for timeously and correct procedures not followed

The following table is a consolidated overview of the proposed 2016/17 Medium-term Revenue and Expenditure Framework:

R thousands	Adjustment Budget 2015/16	Budget Year 2016/17	Budget Year 2017/18	Budget Year 2018/19
Total Operating Income	211 021 324	213 242 766	219 483 000	229 141 000
Total Operating Expenditure	184 751 124	188 141 000	197 892 000	210 164 000
(Surplus)/Deficit for the year	1	5 587 000	6 256 000	4 092 000
Total Capital Expenditure	71 111 000	63 279 000	62 306 000	64 529 000

Total operating revenue has grown by 1.1 per cent or R2.221 million for the 2016/17 financial year when compared to the 2015/16 Adjustment Budget. For the two outer years, operational revenue will increase by 2.9 and 4.4 per cent respectively, equating to a total revenue growth of R5.8 million over the MTREF when compared to the 2016/17 financial year.

Total operating expenditure for the 2016/17 financial year has been appropriated at R188 million and translates into a budgeted surplus of R25 million. When compared to the 2015/16 Adjustments Budget, operational expenditure has grown by 1.8 per cent in the 2016/17 budget and by 5.2 and 6.2 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily increases to R40.5 million. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R63.2 million for 2016/17 is 11 per cent less when compared to the 2015/16 Adjustment Budget. The reduction is due to a lesser allocation of MIG as per the 2016/17 DoRA, the municipality has also decreased capital expenditure from own funds due to non-spending by departments on capital assets and projects. The capital programme decreases to R62.3 million in the 2017/18 financial year and then evens out in 2018/19 to R64.5 million. A substantial portion of the capital budget will be funded from the Municipal Infrastructure Grant over the MTREF. MIG will contribute 68.2, 74.3 and 75.7 per cent of capital expenditure in each of the MTREF years. The balance will be funded from internally generated funds and a small portion of Library grant.

For Grater Taung Local Municipality to continue improving the quality of services provided to its community, it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 70 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality.

1.3 Operating Revenue Framework

The following table is a summary of the 2016/17 MTREF (classified by main revenue source):

The following table is a summary of the 2016/17 MTRR (classified by main revenue source):											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1										
Revenue By Source											
Property rates	2	5,342	5,744	18,000	10,965	10,965	10,965	10,965	18,000	14,520	14,838
Property rates - penalties & collection charges		879	1,027	1,554	1,112	1,112	1,112	1,112	3,500	3,400	3,300
Service charges - electricity revenue	2	2,170	2,372	2,714	3,647	3,647	3,647	6,823	3,770	4,079	4,406
Service charges - water revenue	2	723	455	600	492	492	492	516	750	795	843
Service charges - sanitation revenue	2	1,216	1,490	1,618	1,715	1,715	1,715	1,740	1,818	1,927	2,043
Service charges - refuse revenue	2	1,947	2,385	2,625	2,758	2,758	2,758	2,907	2,924	3,099	3,285
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		241	273	330	526	526	526	526	561	596	631
Interest earned - external investments		4,502	4,526	5,886	6,223	6,223	6,223	6,223	6,597	6,993	7,412
Interest earned - outstanding debtors		1,124	1,323	1,614	1,683	1,683	1,683	1,683	1,784	1,891	2,004
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		-	-	-	7	7	7	7	-	-	-
Licences and permits		-	-	-	-	-	-	-	-	-	-
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		103,367	119,155	137,738	178,339	178,339	178,339	178,339	170,808	179,528	187,775
Other revenue	2	1,657	2,572	377	3,183	3,183	3,183	3,183	2,732	2,655	2,604
Gains on disposal of PPE		-	722	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		123,169	142,043	173,056	210,650	210,650	210,650	214,024	213,243	219,483	229,141

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

In the 2015/16 financial year, revenue from rates and services charges totaled R19 million, this increases to R 27 million; R 24 million and R25 million in the respective financial years of MTREF. The significant increase in the 2016/17 property rates and services charges is due to an increase in the government property rates as they had not been increased in over three years. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 64 MBRR SA1 (see A1 Schedule attached).

Operating grants and transfers totals R178 million in the 2015/16 financial year and steadily reduces to R170 million in the 2016/17 financial year and rapidly increases to R179 million and R187 million in the two outer years. Note that the decrease in the 2016/17 financial year's operating grants and transfers is due to a decrease in the municipality's Equitable share and as per the DoRA.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		102,841	119,995	138,612	177,719	177,719	177,719	170,188	178,908	187,155
Local Government Equitable Share		100,537	114,378	134,670	171,557	171,557	171,557	164,554	174,128	181,984
Finance Management		1,250	1,854	1,799	1,875	1,875	1,875	2,010	2,345	2,600
Municipal Systems Improvement		790	841	874	930	930	930	-	-	-
EPWP Incentive		264	2,923	1,269	1,425	1,425	1,425	1,352	-	-
		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
MIG PMU Operational		-	-	-	1,932	1,932	1,932	2,272	2,435	2,571
Provincial Government:		496	192	204	620	620	620	620	620	620
		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
Sport and Recreation		496	192	204	620	620	620	620	620	620
		-	-	-	-	-	-	-	-	-
District Municipality:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Other grant providers:		-	-	-	-	-	-	-	-	-
<i>[insert description]</i>										
Total Operating Transfers and Grants	5	103,336	120,188	138,816	178,339	178,339	178,339	170,808	179,528	187,775

1.4 Operating Expenditure Framework

The municipality's expenditure framework for the 2016/17 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue)
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;

- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2016/17 budget and MTREF (classified per main type of operating expenditure):

Description		2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 MTREF		
		Audited Outcome	Audited Outcome	Audited Outcome					2016/17	2017/18	2018/19
Expenditure By Type											
Employee related costs	2	44,759	51,288	56,269	75,569	75,569	75,569	75,569	80,284	85,275	90,660
Remuneration of councillors		13,847	14,444	15,294	20,324	20,324	20,324	20,324	18,513	20,237	21,654
Debt impairment	3	(1,158)	1,289	6,109	2,521	2,521	2,521	2,521	2,000	2,000	2,000
Depreciation & asset impairment	2	10,592	24,552	27,122	3,824	3,824	3,824	3,824	6,089	5,505	6,586
Finance charges		271	677	836	216	216	216	216	230	243	257
Bulk purchases	2	2,549	3,065	2,996	4,032	4,032	4,032	4,032	3,900	4,000	4,500
Other materials	8	8,899	6,959	6,841	10,987	10,987	10,987	10,987	12,058	12,829	13,792
Contracted services		13,421	9,856	13,310	17,261	17,261	17,261	17,261	19,612	21,107	21,744
Transfers and grants		–	–	–	2,676	2,676	2,676	2,676	9,261	8,587	9,169
Other expenditure	4, 5	27,691	33,611	38,893	45,317	45,317	45,317	45,317	36,196	38,108	39,802
Loss on disposal of PPE		–	–	–	–	–	–	–	–	–	–
Total Expenditure		120,870	145,741	167,670	182,727	182,727	182,727	182,727	188,141	197,892	210,164

The budgeted allocation for employee related costs for the 2016/17 financial year totals R80.2 million, which equals 53 per cent of the total operating expenditure. Based on the three year collective SALGBC agreement, salary increases have been factored into this budget at a percentage increase of 7 per cent for the 2016/17 financial year. An annual increase of 7.5 per cent has been included in the two outer years of the MTREF.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office

Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the municipality's budget.

The remaining operating expenditure were increased by 6 per cent except for depreciation it was increased by about 100 per cent, this is due to the under budgeting of depreciation in the previous financial years.

1.5 Capital Expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1										
Capital Expenditure - Standard											
<i>Governance and administration</i>	—	2,058	1,030	4,600	4,600	4,600	4,600	4,600	6,690	1,825	1,825
Executive and council	—	—	—	1,975	1,975	1,975	1,975	1,975	5,780	1,675	1,675
Budget and treasury office	—	1,862	—	1,425	1,425	1,425	1,425	1,425	780	50	50
Corporate services	—	196	1,030	1,200	1,200	1,200	1,200	1,200	130	100	100
<i>Community and public safety</i>	5,071	8,952	—	9,790	9,790	9,790	9,790	9,790	15,277	3,400	3,500
Community and social services	5,071	8,952	—	6,790	6,790	6,790	6,790	6,790	13,302	1,500	1,600
Sport and recreation	—	—	—	3,000	3,000	3,000	3,000	3,000	1,975	1,900	1,900
Public safety	—	—	—	—	—	—	—	—	—	—	—
Housing	—	—	—	—	—	—	—	—	—	—	—
Health	—	—	—	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>	15,466	71,117	48,806	43,462	43,462	43,462	43,462	43,462	29,042	51,321	53,444
Planning and development	—	—	—	100	100	100	100	100	80	50	50
Road transport	15,466	71,117	48,806	43,362	43,362	43,362	43,362	43,362	28,962	51,271	53,394
Environmental protection	—	—	—	—	—	—	—	—	—	—	—
<i>Trading services</i>	—	—	—	13,258	13,258	13,258	13,258	13,258	12,270	5,760	5,760
Electricity	—	—	—	1,425	1,425	1,425	1,425	1,425	7,030	2,550	2,550
Water	—	—	—	2,108	2,108	2,108	2,108	2,108	2,300	1,160	1,160
Waste water management	—	—	—	2,850	2,850	2,850	2,850	2,850	2,490	550	550
Waste management	—	—	—	6,875	6,875	6,875	6,875	6,875	450	1,500	1,500
<i>Other</i>	4,324	4,455	13,282	—	—	—	—	—	—	—	—
Total Capital Expenditure - Standard	3	24,861	86,581	63,119	71,111	71,111	71,111	71,111	63,279	62,306	64,529

1.7 Annual Budget Table (A1 Schedule)

PART 2 SUPPORTING DOCUMENTATION

2.1 Overview of the annual budget process

Section 21 – Budget Preparation Process

- The schedule of key deadlines (IDP/PMS & Budget process Plan) was tabled and published on 25 August 2015
- Community Ward based planning meeting took place between September 2015 towards the beginning of December 2015
- The 2016/17 Draft Budget was tabled together with the review of the IDP in council on the 24th February 2016
- The Draft 2016/17 – 2018/19 IDP was also tabled in council on 25 February 2016 and consultative meetings were scheduled to follow during the month of April
- The municipality has had consultation meetings with external Government sectors in terms of their budget allocation.
- The public participation meetings were held from the 12th to 26th of April 2016.
- The final budget was tabled and approved in council by 31 May 2016

As indicated in Tariff Schedule (Annexure C)

2.2 Funding the Budget.

Total Funded

The total revenue by source is clearly presented on annexure B

2.3 Disclosure on Salaries, Allowance and Benefits (Annexure D – A4)

Supporting table is attached in respect of disclosure of salaries, allowances and benefits.

Councillors

On a yearly basis the Minister of Local Provincial Government set the upper limit on determination of councillor's allowances. The provision made on the 2016/2017 financial year is adequate for allowances and salaries for councillors. Cost of living (inflation) annual increase has been set at 6%. The payment of allowances to councillors will be made using the upper limit gazette available during payment of such allowances. Total budget for 2016/2017 for Councillors are R18 513 000.

Senior Officials

The total budget for 2016/2017 senior officials employed in terms of sections 56 and 57 of Municipal System Act equals R6 946 942.

Other Municipal Staff

The total budget for other Municipal staff on 2016/2017 equals R73 337 294

The total budget in respect of Councillor's allowance and officials equals R98 797 236

2.4 Monthly Cash Flow by Source (Annexure D - A7)

Annexure is attached that present the monthly projection on cash inflow and outflow. No bridging overdraft will be required. Although anticipated collection of revenue fluctuates seasonally, it will not require the Municipality to take a bank overdraft.

2.5 Measurable performance objectives.

A detailed service delivery and budget implementation plan on the IDP which is to be approved by the Mayor shows the measurable performance objectives and annual target that each directorate should achieve and become part of the performance agreement for all sections of employees.

2.6 Disclosure on implementation of MFMA and other legislation

The promulgation of the Municipal Finance Management Act has brought a profound effect on the local government operations as it necessitated changes and transformation in financial planning process. As the medium-term budget for 2016/2017 – 2017/2018 financial year is an expression of continuous process of improving the financial planning progress at municipal level and conform to formats and circulars sent by national Treasury.

Areas Identified in the MFMA

Integrated Development Plan

The plan guides the municipality in respect of the budgeting process and take account of community needs and their priorities in terms of the needs identified and service gaps. Consultation with community and other stakeholders play a major role in the development of the IDP.

Budget

The budget process started in September 2015 when council approved the budget time schedule. The budget was submitted to Council for tabling on 24 February 2016. Approval of the budget is envisaged to take place on 30 May 2016.

Annual Report

An annual report has been developed for 2014/2015 and tabled to council on 29 January 2016, and an oversight committee has been established to look into the matters of the Annual report.

In-year reporting

The municipality submits and provides financial reports as required in terms of the MFMA to various stakeholders as identified on an ongoing basis. The municipality has been implementing the provisions of the MFMA in accordance

Budget and Treasury offices

A budget and treasury office has been established in accordance with the MFMA. The Supply Chain Management Unit reports to the Chief Financial Officer. The position of Chief Financial Official is filled.

Supply Chain Management

The Supply Chain Management Policy has been approved by Council. The unit of Supply Chain Management is headed by the SCM Manager who report to the Chief Financial Officer. Three bid committees are in place the Bid Specification Committee, Bid Evaluation Committee and Bid Adjudication Committee.

Audit Function

The municipality has a shared Internal Audit Unit with the district, with the audit charter, plan and programmes informed by the District's plan.

2.6 Summary of Budgets and SDBIP's

The summaries of the SDBIP are presented on the Integrated Development Plan document.

2.7 Rates

Annexure C for all rates and tariffs are attached in with the recommended annual increases

2.8 Overview of Alignment of Annual Budget with IDP

Greater Taung Local Municipality has adopted the Turn Around Strategy approach to inform both the IDP and resource allocation (budget process). Integrated Development Plan is the principal strategic planning tool that guides and informs all planning, development and decision-making in the municipality. Poverty eradication and job creation are critical ingredients of sustainable economic development. The integrated development plan has a number of clear objectives and intended impacts such as consultative processes, strategic process and implementation-oriented processes. The primary objective of the IDP is to accelerate service delivery by providing a framework for economic and social development.

Greater Taung Local Municipality's development plan needs are aligned with National and Provincial initiatives to ensure optimal impact from the combined efforts of government. In this regard there are five critical elements: Accelerated and Shared Growth-South Africa (ASGI-SA), National Spatial Development Perspective (NSDP), National Strategy for Sustainable Development (NSSD), Provincial Growth and Development Strategy (PGDS) and Provincial Spatial Development Framework (PSDF). All these feed into and influence the Integrated Development Plan.

Municipal Transformation and Organizational Development

This key performance area focuses on the availability and implementation of programmes that transform the municipality to cope with the ongoing and ever-changing community needs as well as being a learning organization. Institutional transformation is necessary condition to achieve the strategic objectives of the developmental governance. The key performance indicators under this key performance area as follows:

- Organizational design (Organogram that is linked to the organizational strategy)
- Employment Equity issues.

- Skills Development (Institutional Skills Development)
- Integrated Development Planning (Integration of strategic frameworks)
- Performance Management System
- Administrative and institutional Systems and structures

Infrastructure Development and Services Delivery

The delivery of basic services and provision of infrastructure is the most important element of poverty eradication. The council noted the fact that the provisions of economic and social infrastructure to communities facilitate the local economic development. This key performance area focus on services rendered directly to the communities, such as water, sanitation, electricity, solid waste management, environmental management, roads, housing and community facilities. The council has resolved to accelerate the provision of these services, especially water, sanitation and electricity through a three-year budgeting cycle.

Local Economic Development

This key performance area focuses on the measure that the municipality will apply to promote the local economy. The measures such as how to implement the supply chain management in terms of SMME development, Broad Based Black Economic Empowerment, Poverty alleviation initiatives and job creation initiatives. It further puts emphasis on the attraction and retention of investment, SMME support, provision of basic needs, skills development and the implementation of the affirmative procurement framework and labour intensive program.

We have identified competitive advantages to bolster “logistic hub initiative”. These include implementation of the inner urban renewal program, initiating of the regional shopping centre, the regional transport hub and agro-processing, mineral beneficiation centre and the international convention centre. We are implementing Extended Public Works Program to facilitate economic growth, skills development and acceleration of infrastructure investment.

Municipal Finance Viability and Management

Council has adopted sustainability as one of the key performance areas. This key performance area puts emphasis on the interconnection between the institutional, social, environmental and financial arrangement of the implementation of any program and project in the municipality. Sustainability in terms of the above-mentioned aspects informs the action plans of the municipality to ensure the provision and maintenance of sustainable infrastructure to communities.

Good Governance and Public Participation

It focuses primarily on the development and implementation of the systems and procedures that will ensure that the municipality promotes good governance and public participation in terms of the constitutional mandate. The core objective of this key performance area is to mobilize and empower local communities to take control of the process of social transformation. The most key performance indicators under this key performance area are as follows:

- Availability of communication strategy
- Citizen/customer satisfaction survey
- Service delivery improvement program
- Functional Ward Committee System
- Council System

- Corporate Governance (Audit Committee, Performance Audit Committee, Anti Corruption Strategy and Policy)
- Internal Audit

The core objective of this Key Performance Area is to ensure that we meet the needs of today without diminishing the capacity of future generations to meet theirs. Sustainable development implies a broad view of human welfare, a long-term perspective about the consequences of today's activities, and global co-operation to reach viable solutions. It is within this context that the Council has resolved to adopt best practices in all sectors to inform all development activities for sustainable development.

Core functions and Services provided

Section 152 of the **Constitution of the Republic of South Africa** – Act 108 of 1996 summarises the objects of Local Government as follows:

- To provide democratic and accountable government to local communities;
- To ensure the provision of services to communities in a sustainable manner;
- To promote social and economic development;
- To promote a safe and healthy environment; and
- To encourage the involvement of communities and community organisations in the matters of Local Government.

Development Duties of Municipalities:

A Municipality **must**:

- Structure and manage its administration and budgeting and planning processes to give priority to basic needs of the community and to promote the social and economic development of the community and;
- Participate in national and provincial development programmes.

In order to give effect to the above-mentioned, Council has determined five (5)

Key Performance Areas namely:

1. Municipal Transformation and Organisational Development
2. Infrastructure Development and Services Delivery
3. Promotion of Local Economic Development
4. Municipal Finance Viability and Management
5. Good Governance and Public Participation

2.9 Legislation Compliance Status

Below are the legislative requirements that guide the budget preparation process:

Municipal Structures Act

The Municipal Structures Act (No. 117 of 1998) as amended, under section 44: Functions and Powers of Executive Committee, states that the Executive Committee must:

- a) Identify the needs of the Municipality.
- b) Review and evaluate those needs in order of priority.
- c) Recommend to the Municipal Council strategies, programmes and services to address priority needs through the integrated development plan and estimates of revenue and expenditure, taking into account any applicable national and provincial development plans.
- d) Recommend or determine the best methods, including partnership and other approaches, to deliver those strategies, programmes and services to the maximum benefit of the community.

Legislation also requires municipalities to compile operating and capital budgets on an annual basis. The operating and capital budgets must balance (i.e. may not reflect a deficit) and must be prepared in accordance with the integrated development plan.

Municipal Finance Management Act

Section 16(2) of the Municipal Finance Management Act No. 56 of 2003, (MFMA) dealing with legislative compliance regarding the tabling of the annual budget states inter alia that:

“The Mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.”

Section 21(1) of the MFMA, which deals with the budget preparation process, stipulates that the Mayor must:

- a) Co-ordinate the processes for preparing the annual budget and for reviewing the municipality's integrated development plan and budget-related policies to ensure that the tabled budget and any revisions of the integrated development plan and budget-related policies are mutually consistent and credible.
- b) At least 10 months before the start of the budget year, table in the municipal council a time schedule outlining key deadlines for:
 - I. The preparation, tabling and approval of the annual budget.
 - II. The annual review of:
 - The integrated development plan in terms of section 34 of the Municipal Systems Act.
 - The budget related policies.

III The tabling and adoption of any amendment to the integrated Development plan and the budget related policies.

IV Any consultative processes forming part of the processes referred to in sub-paragraph (i) (ii) and (iii).

The approval of the Budget is regulated by section 24 of the MFMA, which states as follows:

- 1) The municipal council must least 30 days before the start of the budget year consider approval of the annual budget.
- 2) An annual budget:
 - a) Must be approved before the start of the budget year.
 - b) Must be approved together with the adoption by the council of the resolutions as may be necessary for:
 - i) Imposing any municipal tax for the budget year.
 - ii) Setting any municipal tariffs for the budget year.
 - iii) Approving measures performance objectives for each vote in the budget
 - iv) Approving any changes to the municipality's integrated development plan and approving any changes to the municipality's budget-related policies.

2.10 Municipal Manager's Quality Certificate

MUNICIPAL MANAGER QUALITY CERTIFICATE

I Municipal Manger of Greater Taung Local Municipality hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name_____

Municipal Manager of _____

Signature _____

Date _____